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SUBJECT: BRIDGETOWN SUBMISSION FOR THE OPERATION OF THE CARIBBEAN
BASIN ECONOMIC RECOVERY ACT REPORT

REF: STATE 143212

1) Summary: This is Embassy Bridgetown's submission for the situation in the Organization of Eastern Caribbean States (OECS) as a whole, and country specific information on the seven countries to which we are accredited, namely Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Although members of the OECS and part of our consular district, Anguilla, the British Virgin Islands, and Montserrat are not formally part of our reporting responsibilities. We did not include them in this report, other than as part of the OECS. End summary

The Organization of Eastern Caribbean States

The Organization of Eastern Caribbean States
Department of Commerce 2004 Trade Statistics
U.S. Exports \$446,243,268
U.S. Imports \$72,987,011
U.S. Trade Balance \$373,256,257

The OECS comprises the countries of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Montserrat, an overseas territory of the United Kingdom. Anguilla and the British Virgin Islands are associate members.

2) Economic Overview: Although several states of the OECS suffered crisis or near-crisis financial situations in the late 1990s and early 2000s, most have recovered and currently show economic growth. Others, including Grenada, which was devastated by Hurricane Ivan in 2004 and Hurricane Emily in 2005, and Montserrat, which has suffered from ongoing eruptions of the Soufriere Hills Volcano, beginning in 1995, are still struggling. After years as sugar and banana monocultures, OECS members are shifting toward service-based economies, built on tourism and financial services, with offshore medical, nursing, and veterinary schools and niche agriculture also playing important roles. The United States is gradually becoming the principal trading partner and source of tourism revenue for OECS members, a role long occupied by the United Kingdom, which was the colonial power in much of the region.

3) Commitment to WTO and FTAA: Although hindered by a lack of government resources and technical expertise, the OECS Members (not including Montserrat, which is a U.K. overseas territory) have demonstrated a commitment to fulfill their WTO obligations on schedule. As members of the Caribbean Community (CARICOM), the OECS members have, in coordination with other CARICOM countries, been supporters of the FTAA process (Montserrat, which is not a sovereign state, cannot participate in the FTAA negotiations.) The OECS members are vocal advocates of special and differential treatment for the small-island economies of the Caribbean region. USAID maintains an active technical assistance program in the region to help these small nations meet their international trade obligations.

4) Protection of Intellectual Property: Egregious violations of intellectual property rights are few and far between in the OECS. Although the OECS members suffer from a lack of resources, they are moving toward harmonization of intellectual property (IP) legislation and education of the population on the benefits that accrue from the establishment of an effective IP regime and are striving to comply with international obligations and strengthen protection. However, video, music and DVD piracy remains a problem throughout the region.

5) Provision of Internationally Recognized Worker Rights: In the OECS, workers have the right to associate freely and to form labor unions; this right is generally respected. Workers also have the right to organize and bargain collectively and there is a prohibition on any form of forced or compulsory labor.

6) Commitment to Eliminate the Worst Forms of Child Labor: All the OECS countries have ratified ILO Convention 182 (Montserrat is a member via the United Kingdom's ratification of the Convention). Although there is no evidence to suggest it is a widespread problem, there have been some reports of exploitative child labor in the region. There have been reports that children may be involved in pornography, prostitution, and the distribution of drugs in a few of the OECS members. In addition, reports exist of children involved in commercial sexual exploitation in order to pay for basic needs such as school fees and food. On the more agriculturally dependent islands, such as Dominica, St. Lucia, and St. Vincent, children sometimes work on family banana farms, generally outside of school hours. Child labor is slightly more common in rural areas where some older children may work as domestics or in family-owned cottage industries. Because all of the OECS islands have compulsory schooling until age fifteen or sixteen, there are few children in the labor force.

7) Counter-Narcotics Cooperation: The President has not identified any of the OECS members as a major drug transit or major illicit drug producing country under the provision of the FRAA.

8) Implementation of the Inter-American Convention Against Corruption: Of the seven OECS members, Antigua and Barbuda, Grenada, and St. Kitts and Nevis have ratified the IACAC; Dominica, St. Lucia, and St. Vincent and the Grenadines have acceded to the Convention.

9) Transparency in Government Procurement: The OECS members' government procurement policies are generally quite open and transparent, and the Administration is not aware of any non-competitive bidding procedures.

Additional Issues

10) Nationalization/Expropriation: Some U.S. investors have outstanding disputes with the governments of Antigua and St. Kitts concerning expropriated land. They are currently attempting to resolve those disputes within the local legal systems, and ask for occasional advice from the U.S. Government. The U.S. Government has stressed to authorities in both countries its interest in seeing the disputes resolved.

Antigua and Barbuda

Population: 82,800
Per capita GDP in current prices (US Dollars) 10,513

11) Having abandoned its unprofitable sugar industry several years ago, Antigua and Barbuda is the most developed of the OECS Members and the most dependent on tourism. The present government, which took office in early 2004, has embarked on a reform program, including restructuring its massive debt to GDP ratio of 128 percent, reintroducing the income tax, and making government more transparent. The current administration also plans to cut the public sector workforce and has introduced a value added tax (VAT) to reduce dependence on tariff revenues and put the country in a better position to handle WTO tariff cuts. Long-term growth prospects depend on the continued vibrancy of the tourism and financial services sectors, foreign investment in new tourism projects, and Antigua's ability to exercise fiscal restraint.

12) In Antigua and Barbuda, workers may not be required to work more than a forty-eight hour, six-day workweek. In practice the standard workweek is forty hours in five days. Workers generally receive annual leave and maternity leave. The minimum working age is sixteen. Although a section of the labor code includes some provisions regarding occupational health and safety, the government has not developed comprehensive occupational health and safety laws or regulations.

Barbados

Population: 280,946

Per Capita GDP: 13,312 (CDB figures, 2006 in US dollars)

Trade Statistics

U.S. Exports \$347,578,725

U.S. Imports \$36,871,668

U.S. Trade Balance \$310,707,057

13) Economic Review: Barbados enjoys a long-standing democratic tradition, a strong commitment to the rule of law, and an open economy with a marked dependence upon imports, over 37 percent of which come from the United States. As in many of the small Caribbean island states, tourism is a major contributor to the country's economy: over 75 percent of Barbados' GDP in 2006 came from the services sector, with tourism accounting for not less than 12 percent. As reported by the Central Bank of Barbados, most of the country's economic indicators were strong in 2006, GDP rose 3.9 percent, unemployment was relatively static at 8.7 percent, inflation was down fractionally to 7.3 percent, and the debt-to-GDP ration continued to fall, to 71.5 percent. Tourism receipts were up slightly, with a noticeable shift from cruise tourism to "long stay" tourism.

14) Commitment to WTO and FTAA: Barbados, as is the case with many other Caribbean countries, has its tariffs bound at high levels. In WTO negotiations, Barbados is a vocal advocate of special and differential treatment for small-island developing states. The country is also a strong and active supporter of the FTAA process, individually and in coordination with other CARICOM countries, and played a constructive role in advancing the FTAA process at the November 2005 Summit of the Americas in Mar del Plata. USAID has an active technical assistance program to help Barbados meet its commitments under international trade agreements.

15) Protection of Intellectual Property: The Government of Barbados strengthened its 1998 Copyright Act in 2004. The Government of Barbados has also passed several laws to comply with the TRIPS Agreement. Although Barbados has strong intellectual property

legislation, the government needs to improve its enforcement of the anti-piracy laws. For example, shops openly sell and rent pirated CDs, videos, and DVDs.

16) Provision of Internationally Recognized Worker Rights: In Barbados, the legal minimum working age of sixteen is widely observed. Labor inspectors are employed to enforce the law. Only two categories of workers have a formally regulated minimum wage - household domestics and shop assistants. The standard legal workweek is forty hours in five days, and the law requires overtime payment for hours worked in excess. The Labor Ministry enforces health and safety standards and follows up to ensure that management corrects problems cited. Trade union monitors identify safety problems for government factory inspectors to ensure the enforcement of safety and health regulations and effective correction by management. When it enacted the Occupational Safety and Health at Work Act early in 2005, the government of Barbados upgraded standards for use of machinery and chemicals and for protecting workers from poor lighting, noise, and vibration. The Labor Ministry also plans to propose two other pieces of worker rights legislation to Parliament this year, an employment rights bill and a gender-neutral sexual harassment bill. The government is also considering enacting a national minimum wage bill, which will replace the current Shop Act which mandates a minimum wage of 5.00 Barbados dollars (approximately 2.50 US dollars) an hour for retail clerks only. The Labor Ministry recommends that companies pay at least this amount, but some sectors do not.

17) Commitments to Eliminate the Worst Forms of Child Labor: Barbados ratified ILO Convention 182 on October 23, 2000. There is

no widespread pattern of child labor in the country. A rapid assessment conducted in 2002 by the ILO's Caribbean office found that most children who worked did so part-time, after school and on weekends. However, the report also indicated evidence of commercial sexual exploitation of children and other worst forms of child labor, such as involvement in drug sales and hazardous activities such as construction. The legal minimum working age of sixteen is generally observed. Local law prohibits forced or bonded labor by children, and those prohibitions are enforced.

18) Counter-Narcotics Cooperation: The President has not identified Barbados as a major drug transit or major illicit drug producing country under the provision of the FRAA.

19) Implementation of the Inter-American Convention Against Corruption: Barbados signed the IACAC in April 2001 but has not ratified it.

20) Transparency in Government Procurement: The government, through the Ministry of Finance's Special Tenders Committee, follows competitive bidding standards for most contracts and acquisitions. Occasionally, a proposal to use other methods is presented to the funding institution for its non-objection if sole-sourcing is the only option or unique expertise is required.

Dominica

Population: 70,600

Per Capita GDP (in current prices, US dollars) 4,251

21) The Commonwealth of Dominica is widely recognized as having the worst financial situation of all the OECS Member. However, in an effort to repair the economy, Dominica completed a three-year IMF stabilization and adjustment program in December 2006. The IMF concluded that it was satisfied with the manner Dominica implemented the program. In completing this program, the country implemented several difficult economic reforms and is back on the path of economic growth. Dominica has turned its economy around, but still faces major challenges in diversifying its economy and improving infrastructure. Hurricane Dean, which struck in August 2007, was one of these challenges, having wiped out virtually 100% of Dominica's crucial banana crop, as well as the vast majority of most other agricultural crops. In addition to agricultural damage, Hurricane Dean left major infrastructural damage to roads, bridges, and riverbed and seabed walls.

22) In Dominica, minimum wages are set for various categories of worker. However, these were last revised in 1989. Dominica is a signatory of the ILO Minimum Wage Convention, which specifies that fifteen is the minimum working age. The Employment Safety Act provides occupational health and safety regulations that are consistent with international standards.

Grenada

Population: 105,900

Per Capita GDP (in current prices, US dollars) 4,758

23) Grenada's economy, dependent on tourism, education, and agriculture, was hit hard by the post-9/11 decline in tourism. It was then devastated by Hurricanes Ivan (2004) and Emily (2005). Ivan

brought the economy to a near-standstill, doing damage equal to two and one-half times Grenada's GDP. With assistance from the United States and other sources of international aid, reconstruction proceeded quickly. Despite initial high unemployment in the tourist and other sectors, urban Grenadians benefited post-hurricane from job opportunities in the surging construction sector. Agricultural workers did not fare as well. Hurricane Ivan in 2004 destroyed or significantly damaged a large percentage of Grenada's nutmeg, cocoa, and other tree crops. Hurricane Emily eight months later in 2005 further damaged the sector. Complete recovery will take years as many farmers simply walked away from their land. Grenada continues to import many of the basic foods which are no longer grown in sufficient quantities on the island. In anticipation of Cricket World Cup matches held on the island in the spring of 2007, many Grenadians renewed their focus on the rebuilding process. The number of hotel and home-stay rooms in the tri-island state increased in

2007 as a result. Predictions are for an increase in tourism. However, Grenada lags behind its neighbors in marketing the island overseas and many rooms still remain empty for much of each year. St. George's University, a large American medical and veterinary school with 3,700 students, about 1,200 of them American citizens, is in full operation and making a significant contribution to the economy. Due to the closure of SGU's St. Vincent campus, there are 350 additional students in Grenada, resulting in a construction boomlet on the St. George's campus in 2007 to create housing and teaching space for them. Grenada has good infrastructure, a relatively high literacy rate, and stable political system. High public debt resulting from rebuilding efforts following the two hurricanes continues to be a drag on the economy. Further economic diversification, especially in tourism and education services and higher-end niche agricultural markets, should improve Grenada's longer-term prospects.

24) Grenada's minimum wage was last raised in July 2002 for domestic workers, plumbers, agricultural workers, and shop assistants. The normal workweek is forty hours in five days. Unemployment, especially among youth aged 18-25, is over 20%. The cost of living has been going up for the last several years.

St. Kitts and Nevis

Population: 49,300
Per Capita GDP (in current prices, US dollars) 8,695

25) As for the other islands in the Eastern Caribbean, tourism is the most important sector of the St. Kitts and Nevis economy. The government decided to close the nation's unprofitable sugar industry in 2005 after three centuries of sugar production, and the country gave its roughly 1200 former sugar workers the equivalent of a year's pay in severance. With an economy otherwise thriving, finding new employment for these former sugar company employees is the government's main challenge. Many of them are expected to retire, but opportunities are available for others in the expanding tourism sector and related occupations, such as growing food and flowers for hotels.

26) Minimum wages in St. Kitts and Nevis vary by category of worker. The minimum wage provides a barely adequate living for a wage earner and family; many workers supplement wages by keeping small animals such as goats and chickens. The law provides for a forty to forty-four hour workweek in five days. While there are no specific health and safety regulations, the Factories Law provides general health and safety guidance to Labor Ministry inspectors. The Labor Commission settles disputes over health and safety conditions.

St Lucia

Population: 164,200
Per Capita GDP (in current prices, US dollars) 5,374

27) The Government of St. Lucia, one of the most effective and stable governments in the Eastern Caribbean, has turned to tourism to revitalize its economy. During 2005, the hotel and restaurant industry grew by 6.3 percent during and stay-over arrivals increased by 6.5 percent, with the United States accounting for 35.4 percent of these arrivals. Yacht passengers rose by 21.9 percent. Meanwhile, the banana industry declined 29.1 percent during the year. The current government currently plans to further promote tourism investment, bringing in various new large-scale resorts. Simultaneously, the government hopes to stabilize agriculture by promoting new techniques, such as agri-processing.

28) Minimum wage regulations in St. Lucia have remained in effect since their institution in 1985. The legislated workweek is 41 hours, although the common practice is to work forty hours in five days. Occupational health and safety regulations are relatively well developed; however, there are only two qualified inspectors for the entire country.

St. Vincent and the Grenadines

Population: 49,300
Per Capita GDP (in current prices, US dollars) 4,101

29) The economy of St. Vincent and the Grenadines is small and weak and the Government is heavily in debt. The economy of the country relies heavily on the declining banana industry, which employs upwards of 60 percent of the work force and accounts for 50 percent of merchandise exports. St. Vincent, like other Caribbean banana producers, is striving to diversify its economy. Crop substitution has given rise to increased marijuana production, and some segments of the population now depend on marijuana production and trafficking for their income. Tourism in the Grenadines is flourishing, with several new world-class hotels planned for the island of Canouan.

30) The Government of St. Vincent and the Grenadines updated its minimum wage laws in 2003. Minimum wages vary by category of worker. The law prescribes workweek length according to category. For example, industrial employees work forty hours a week, and store clerks work forty-four hours a week. The law stipulates a minimum working age of sixteen. The government also added hazardous work legislation to protect workers, particularly in the agriculture sector.

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